

Message Text

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ACTION ARA-02

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P R 291830Z MAR 74

FM AMEMBASSY BRASILIA

TO USINFO WASHDC PRIORITY

INFO SECSTATE WASHDC 2506

AMEMBASSY CARACAS

AMEMBASSY SANTIAGO

USIA/VOAMIAMI

UNCLAS SECTION 1 OF 2 BRASILIA 2126

USIAC

SECSTATE PASS TREASURY FOR ALAN WADE

ATTN: IOP/M, IPS, IBS, RIM, ILA

E.O. 11652: N/A

TAGS: PFOR, OVIP, ETRD, BR, XM, IDB

SUBJECT: SECRETARY SHULTZ' BRAZIL VISIT MEDIA REACTION REPORT

1. PROMINENT MEDIA PLAY GIVEN SECRETARY'S ARRIVAL TODAY IN BRASILIA TO MEET WITH GOB AUTHORITIES, WITH MOST PAPERS EMPHASIZING THAT MAIN TOPIC OF DISCUSSIONS WILL BE THE PROBLEM OF BRAZILIAN SHOE EXPORTS TO THE U.S. SAMPLE HEADLINES: LIBERAL FOLHA DE SAO PAULO: "SHULTZ IN BRASILIA TODAY TO MEET WITH SIMONSEN"; CONSERVATIVE CORREIO BRASILIENSE (BRASILIA): "U.S. TREASURY SECRETARY IN BRASILIA" (MARCH 29,) SAMPLE COMMENTARIES:

2. INFLUENTIAL O ESTADO DE SAO PAULO EDITORIAL COMMENTS ON SECRETARY SHULTZ'S DECISION NOT TO ADOPT IN THE U.S. THE GOB MINI-DEVALUATION FORMULA AND SAYS THAT ACCORDING TO GOOD AMERICAN MEDIA SOURCES THE SECRETARY IS LEAVING THE NIXON ADMINISTRATION BECAUSE HE DOES NOT AGREE WITH CERTAIN U.S. ECONOMIC POLICES. COMMENTARY IMPLIES THAT THE BRAZILIAN FORMULA WOULD BE APPROPRIATE FOR THE U.S., SAYING THAT IN UNCLASSIFIED

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1973 THAT COUNTRY'S INFLEATION RATE WAS 8.1 PERCENT AND

ACCORDING TO INDICATIONS THIS YEAR THE RATE WILL BE 9.1 PERCENT. PAPER RECALLS THAT GOB FINANCE MINISTER MARIO SIMONSEN MONTHS BEFORE TAKING OFFICE STATED THAT IN INFLATION RATE OF 20 PERCENT IN BRAZIL PRODUCES FEWER SERIOUS EFFECTS THAN AN INFLATION RATE OF SIX PERCENT IN THE U.S. (MARCH 29).

3. O ESTADO CARRIES INSIDE REPORT HEADLINED "BRAZIL REITARATES ITS VETO ON PROTECTIONISM," SAYING THAT "PRESIDENT GEISEL AND THE FINANCE AND FOREIGN MINISTERS WILL REITARATE TO U.S. TREASURY SECRETARY SHULTZ THE SAME POSITION ANNOUNCED BY PRESIDENT GEISEL IN HIS FIRST STATEMENT TO HIS CABINET (SEE ITEM 2/B OF BRASILIA 1935) REGARDING U.S. PROTECTIONIST THREATS AGAINST SHOES AND OTHER BRAZILIAN MANUFACTURED PRODUCTS WHICH ARE EXPORTED TO THE U.S. ... IN PRINCIPLE, THE MAIN REASON FOR SHULTZ'S LATAM TOUR IS NOT BRAZILIAN DISSATISFACTION WITH THE AMERICAN PROTECTIONIST POLICY. HE HAD ALREADY SCHEDULED A TRIP TO SANTIAGO FOR THE IDB MEETING DURING THE NEXT DAYS. BUT PRESIDENT GEISEL'S SPEECH, AND HIS QUITE FIRM POSITION ON THIS PROBLEM, REPRESENTS A NEW FACT WHICH JUSTIFIES THE SECRETARY'S VISIT TO BRASILIA. ..." (MARCH 29).

4. FOLHA DE SAO PAULO CARRIES INSIDE REPORT WITH HEADLINE "SHOES: BRAZIL WILL ANSWER," SAYING THAT "THE GOB TODAY WILL GIVE A FIRM, CATEGORIC, AND DEFINITIVE ANSWER TO U.S. TREASURY SECRETARY GEORGE SHULTZ REGARDING THE AMERICAN (SHOE) PRODUCERS' ACCUSATION OF DUMPING MANEUVERS AND THEIR REQUEST FOR A SURTAX ON BRAZILIAN SHOE IMPORTS. THIS ANNOUNCEMENT WAS MADE YESTERDAY BY OFFICIAL SOURCES WHO MADE IT EVIDENT THAT IN THE HIGHEST GOB CIRCLES THERE EXISTS A CONSENSUS ABOUT THE PROBLEM, WHICH SEEMS NOT TO REPRESENT A SERIOUS THREAT TO OUR EXPORT OF MANUFACTURED PRODUCTS. ..." SAME PAPER'S COLUMNIST FLAVIO DE ALMEIDA SALLES WRITES AN ARTICLE ENTITLED "A FIRM POSITION BEFORE THE U.S.," SAYING : "DURING THE FEW HOURS OF HIS STAY IN BRASILIA, U.S. TREASURY SECRETARY GEORGE SHULTZ WILL BE INFORMED OF TWO THINGS: BRAZIL'S FIRM STAND AGAINST ACCEPTING A SURTAX ON BRAZILIAN SHOE EXPORTS FOR THE U.S. MARKET, AND THAT AT THE SANTIAGO IDB MEETING WE WILL SUPPORT PARTICIPATION IN THAT ORGANIZATION OF CAPITAL FROM EUROPEAN AND ASIAN COUNTRIES. ... FOR POLITICAL REASONS, THE PRINCIPAL OPPOSITION TO THIS OPENING RE PARTICIPATION OF NON-HEMISPHERIC NATIONS IN THE IDB

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WAS PRESENTED BY THE U.S. WHICH, IF SUCH PARTICIPATION IS APPROVED, WILL LOSE ITS STATUS AS THE ONLY (MAJOR) SUPPLIER OF RESOURCES FOR THE IDB. ..." (MARCH 29)

5. UNSIGNED COLUMN IN LIBERAL JORNAL DE BRASILIA CARRIES ITEM WITH HEADLINE "BRAZIL AND U.S. ONLY TALK ABOUT SHOES", WHICH SAYS: "THE SHOE PROBLEM WILL ONLY BE A 'SYMBOLIC TOPIC' DURING THE U.S. TREASURY SECRETARY'S VISIT TO BRASILIA TODAY.

THE DIFFICULTIES THAT BRAZILIAN SHOES MAY CONFRONT TO ENTER IN THE U.S. MARKET IN FACT SIGNIFY A SAMPLE OF WHAT MAY HAPPEN INCREASINGLY WITH THE NUMEROUS BRAZILIAN PRODUCTS WHICH NEED ACCESS TO THAT SAME MARKET. ..." (MARCH 29).

6. PRO-GOB DIARIO DE BRASILIA AND FOLHA DE SAO PAULO CARRY ARTICLE BY COLUMNIST NEWTON CARLOS, WHO WRITES: "THE U.S. TREASURY SECRETARY'S LATAM VISIT PROBABLY IS MORE SIGNIFICANT THAN WERE KISSINGER'S MANEUVERS AT TLATELOLCO. THE PURPOSES OF A 'NEW DIALOGUE' CAN BE BETTER SERVED THROUGH DIRECT AND OBJECTIVE DISCUSSIONS.... LATAM NOW HAS A NEWLY RICH MEMBER, VENEZUELA, WHOSE PETROLEUM INCOME FOR THIS YEAR WILL TOTAL 10-BILLION DOLLARS. THE VENEZUELAN PRESIDENT PROMISED TO APPLY PART OF THIS INCOME IN THE IDB FOR NON-RESTRICTED CREDITS AND GIVING PRIORITY TO MULTILATERALISM,

THUS REDUCING THE U.S. FORCE OF PARTICIPATION IN THAT BANK, WHERE ITS VOTE HAS A 43-PERCENT WEIGHT. ... SHULTZ'S FIRST STOP WAS IN VENEZUELA, WHERE IT THE NATIONALIZATION OF PETROLEUM INDUSTRIES SEEMS UNAVOIDABLE WITHIN A SHORT PERIOD. ... IT IS NOT DIFFICULT TO FIGURE OUT THE TRUE AGENDA OF SHULT'S TALKS WITH THE NEW VENEZUELAN ADMINISTRATION. PREOCCUPATION WITH VENEZUELAN PETROLEUM IS DETERMINING KISSINGER'S HASTE IN OBTAINING, WITH THE LATIN AMERICANS' COMMON CONSENSUS, THE SETTING-UP OF INTERNATIONAL MECHANISMS WHICH CAN RESOLVE DIFFERENCES CREATED BY NATIONALIZATION (OF AMERICAN ENTERPRISES). BUT THE TRADITIONAL PICTURE HAS BEEN CHANGING, AND THE U.S. TREASURY SECRETARY PROBABLY WILL UNDERSTAND THIS AT THE SANTIAGO IDB MEETING. ..." (MARCH 29).

7. BUSINESSA-ORIENTED GAZETA MERCANTIL (SAO PAULO) FRONT-PAGES REPORT DETELINED BRASILIA SAYING THAT "TREASURY SHULTZ WILL HEAR TODAY FROM PRESIDENT GEISEL AND MINISTERS SIMONSEN AND UNCLASSIFIED

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SILVEIRA EXACTLY WHAT GEISEL SAID ABOUT PROTECTIONIST MEASURES IN HIS FIRST MAJOR SPEECH. ... ACCORDING TO BRAZILIAN AUTHORITIES, INCENTIVES AND SUBSIDIES ALSO ARE USED BY DEVELOPED NATIONS FOR THEIR EXPORTS. FOR EXAMPLE, THE U.S. STIMULATED WITH SUBSIDIES ITS COTTON SALES IN THE INTERNATIONAL MARKET, THUS COMPETING IN A FAVORED POSITION WITH TEXTILES FROM POORER AREAS LIKE BRAZIL'S NORTHERN REGION AND INDIA." (MARCH 29).
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TO USINFO WASHDC PRIORITY

INFO SECSTATE WASHDC 2507

AMEMBASSY CARACAS

AMEMBASSY SANTIAGO

USIA/VOA MIAMI

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8. INDEPENDENT JORNAL DO BRASIL (RIO) INSIDE REPORT SAYS:
"ARRIVING TODAY AROUND NOONTIME -- ACCOMPANIED BY 25 CONGRESSMEN
AND AMERICAN TREASURY AUTHORITIES -- AND DEPARTING AT 7 P.N,
SECRETARY SHULTZ WILL HAVE A FULL DAY IN BRASILIA. ... TOPICS
TO BE DISCUSSED DURING MR SHULTZ'S VISIT WERE NOT ANNOUNCED
OFFICIALLY. HOWEVER, OBSERVERS BELIEVE THAT MANY OF HIS
CONVERSATIONS CAN BE HELD DURING THE LUNCHEON HOSTED BY FINANCE
MINISTER SIMOSEN IN HIS HONOR, WHERE HE WILL SEE THE GOB
PLANNING, FOREIGN RELATIONS, AND FINANCE MINISTERS, THE
PRESIDENT OF THE CENTRAL BANK OF BRAZIL, AND OTHER SPECIALISTS.
SOMECIRCLES ARE EXPECTING THAT MR. SHULTZ WILL DEFINE HIS
COUNTRY'S POSITION RE THE U.S. COMMERCE DEPARTMENT INVESTIGATION
TO ANALYZE WHETHER OR NOT BRAZIL'S FISCAL INCENTIVES TO
EXPORTS ARE TO BE CONSIDERED A DUMPING MANEUVER. .. SECRETARY
SHULTZ SHOULD ALSO EXPLAIN TO BRAZILIAN AUTHORITIES THE U.S.
POSITION REGARDING THE CURRENT INTERNATIONAL MONETARY SITUATION,
AND INFORM THEM ABOUT FISCAL POLICY ADOPTED TO FACE THE INCREASE
IN PETROLEUM PRICES... (MARCH 29).

9. MANY PAPERS CARRY REPORTS ON THE ARGENTINE ECONOMY MINISTER'S
STATEMENT ANSWERING A COMMENT OF SECRETARY SHULTZ THAT THE U.S.
STILL IS STUDYING SALE TO CUBA OF VEHICLES PRODUCED IN ARGENTINA
BY AMERICAN COMPANIES. SAMPLE COVERAGE: JORNAL DO BRASIL
FRONT-PAGES REPORT WITH HEADLINE "ARGENTINA IGNORES U.S. AND
SELLS TO CUBA," NOTING THAT MINISTER JOSE GELBART SAID
YESTERDAY THAT HIS COUNTRY WILL NOT WAIT FOR ANYONE'S
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AUTHORIZATION TO SELL VEHICLES TO CUBA PRODUCED BY AMERICAN

FIRMS ESTABLISHED IN ARGENTINE TERRITORY. ... THE ECONOMY
MINISTER ALSO STATED THAT WITH HIS COMMENT SECRETARY SHULTZ
DEMONSTRATED THAT HE IGNORES THAT ARGENTINA IS A SOVERIGN
NATION. ..." (MARCH 29).
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